

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Hinton Township	County Mecosta
Fiscal Year End 3/31/07	Opinion Date 8/15/07	Date Audit Report Submitted to State 9/9/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

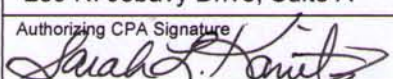
SM 2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	No other reports required	
Certified Public Accountant (Firm Name) Lake Michigan CPA Services, PLC		Telephone Number (231) 690-5217	
Street Address 239 N. Jebavy Drive, Suite A		City Ludington	State MI
Zip 49431			
Authorizing CPA Signature 	Printed Name Sarah L. Kanitz	License Number 1101027051	

Hinton Township
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
Year ended March 31, 2007

Hinton Township

List of Elected and Appointed Officials

Supervisor:	Carl Thompson
Clerk:	Connie Willett
Treasurer:	James Helms
Trustee:	Wayne Sutherland
Trustee:	Michael Willett

Hinton Township

Table of Contents

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets.....	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet—Governmental Fund	12
Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental fund	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	15
Statement of Fiduciary Assets and Liabilities	16
Notes to the Financial Statements	17-24
Required Supplemental Information	
Budgetary Comparison Schedule—General Fund	25



Lake Michigan CPA Services, PLC

239 N Jebavy Drive
Ludington, MI 49431
LakeMichiganCPA.com

Sarah L. Kanitz
Certified Public Accountant
skanitz@lakemichigancpa.com

INDEPENDENT AUDITOR'S REPORT

August 15, 2007

Township Board
Hinton Township
Lakeview, Michigan

I have audited the accompanying financial statements of the governmental activities and the major fund of Hinton Township, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hinton Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Hinton Township, as of March 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of

management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Lake Michigan CPA Services, PLC
Ludington, Michigan

Management's Discussion and Analysis

Using this Annual Report

As management of Hinton Township, we offer readers of Hinton Township's financial statements, this narrative overview and analysis of financial activities for the year ended March 31, 2007. The Township is presenting this analysis along with the financial statements in a format prescribed by the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34). The annual report consists of a series of financial statements, including the Statement of Net Assets and the Statement of Activities, which provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements are also included, which tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

The Township's governmental activities showed a slight improvement over the prior year, as the Township's revenues exceeded expenses by \$9,232 in the government-wide financial statements. This was an improvement over the 2006 fiscal year, which reflected a decrease in net assets of \$23,788.

The Township's General Fund revenues exceeded expenditures by \$10,107, due mainly to delaying road improvements to another fiscal year.

Overview of the Financial Statements

The Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Management's Discussion and Analysis

Government-Wide Financial Statements

The government-wide financial statements are designed to give a view of the entity as a whole. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities and charges.

The Statement of Net Assets is the Township-wide statement of financial position presenting information that includes all of the Township's assets and liabilities, with the difference reported as net assets. Over time, changes in net assets may serve as a useful indicator of the financial health of the Township and whether the financial condition is improving or deteriorating.

The Statement of Activities reports how the Township's net assets changed during the current fiscal year. All current year revenues and expenses are included when the event giving rise to the change occurs, regardless of the timing of when cash is received or paid. The Statement of Activities is designed to help show the financial reliance of the Township's distinct activities or functions on revenues provided by the Township's taxpayers and intergovernmental revenues.

Fund Financial Statements.

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with related laws and regulations. Within the basic financial statements, the fund financial statements focus on the Township's most significant funds, rather than the Township as whole. Major funds are separately reported while all others are combined into an aggregated presentation. Hinton Township has only one governmental fund, the General Fund, which is the only major fund. The Township does not have any business-type funds

Management's Discussion and Analysis

The Township has two types of funds as noted below:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Township's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year. Governmental funds are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

The government-wide financial statements focus on the long-term view, while the fund statements focus on a shorter view. Therefore, comparisons of the two may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances include a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison for the General Fund is found at the end of this report. This schedule demonstrates compliance with the Township's adopted and final revised budget.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide financial reporting, as they are used to account for resources held for the benefit of parties other than the Township. Fiduciary fund financial statements report resources that are not available to fund Township programs and the fiduciary fund financial statements report similarly to proprietary funds. The Township's only fiduciary fund is the tax collection agency fund.

Notes to the Financial Statements.

The accompanying notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes begin immediately following the basic financial statements.

Management's Discussion and Analysis**Government-wide Financial Analysis**

Net assets of the Township may be used as an indicator of a government's overall financial position. As of March 31, 2007, the Township's net assets from governmental activities totaled \$214,386, which was an increase over the net assets of \$205,154 at March 31, 2006 and similar to net assets of \$214,367 at March 31, 2005.

Net assets of the Township include net assets which are invested in capital assets (i.e., buildings, land, equipment, etc.). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Net assets invested in capital assets totaled \$24,226 at March 31, 2007 and \$25,101 at March 31, 2006. The Township did not have any debt outstanding at March 31, 2007 or 2006. The unrestricted net assets for governmental-type activities at March 31, 2007 depict a fund balance of \$190,160. The unrestricted fund balance represents the amount of discretionary resources that can be used for general governmental operations.

The following table presents a summary of the government-wide statement of net assets:

Summary of Net Assets
March 31, 2007 and 2006

	March 31, 2007	March 31, 2006	Increase/ (Decrease)
Current assets	\$ 194,367	\$ 184,557	\$ 9,810
Noncurrent assets	24,226	25,101	(875)
Total Assets	<u>218,593</u>	<u>209,658</u>	<u>8,935</u>
Liabilities	<u>4,207</u>	<u>4,504</u>	<u>(297)</u>
Net Assets			
Invested in Capital Assets	24,226	25,101	(875)
Unrestricted	190,160	180,053	10,107
Total Net Assets	<u>\$ 214,386</u>	<u>\$ 205,154</u>	<u>\$ 9,232</u>

Hinton Township

Mecosta County, Michigan

Management's Discussion and Analysis

The change in governmental activities' net assets showed an increase of \$9,232 during the fiscal year. Operating revenues of \$1,844 and general revenues of \$111,956 combined exceeded expenses of \$104,568.

The following table summarizes the governmental statement of activities for the year ended March 31, 2007 and 2006:

Summary of the Statement of Activities
For the Years Ended March 31, 2007 and 2006

Revenues	<u>3/31/2007</u>	<u>3/31/2006</u>
Program Revenues		
Charges for Services	\$ 1,844	\$ 1,775
General Revenues		
Property Taxes	28,124	23,423
Grants and Contributions not restricted	70,410	70,711
Unrestricted Investment Earnings	7,568	4,685
Miscellaneous	5,854	4,171
Total Revenue	<u>113,800</u>	<u>104,765</u>
Expenses		
General Government	60,211	63,687
Public Safety	32,861	19,373
Public Works	-	33,997
Library	11,496	11,496
Total Expenses	<u>104,568</u>	<u>128,553</u>
Increase in Net Assets	9,232	(23,788)
Net Assets, April 1, 2006	<u>205,154</u>	<u>228,942</u>
Net Assets, March 31, 2007	<u>\$ 214,386</u>	<u>\$ 205,154</u>

Fund Financial Analysis

Governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming requirements.

Hinton Township

Mecosta County, Michigan

Management's Discussion and Analysis

Hinton has only one governmental fund, the General Fund, which is considered to be a major fund in the 2007 fiscal year.

The General Fund reported an ending fund balance of \$190,160, all of which is unreserved and unrestricted for continuing Township service requirements. The fund balance of the General Fund rose \$10,107 over the prior year. This was due to a decline in spending.

General Fund Budgetary Highlights

The originally adopted General Fund budget for the March 31, 2007 fiscal year showed planned revenue of \$95,022 and expenditures of \$131,946. The excess of expenditures over revenues was to be covered by the Township's fund balance. The revenue budget did not change from the original budget to the final amended budget. The expenditure budget was amended up to \$136,828. The most significant budget amendments were an increase in the clerk line item by \$2,234 for supplies and \$1,660 for an increase in expenditures for the fire operating agreement.

Capital Assets

The Township's total investment in capital assets as of March 31, 2007 was \$24,226. The investment in capital assets includes buildings and equipment. The Township did not add any capital assets during the 2007 fiscal year. The following table depicts the composition of capital assets of the Township as of March 31, 2007 and 2006:

Capital Assets
March 31, 2007 and 2006

	March 31, 2007	March 31, 2006
Depreciable		
Buildings and improvements	\$ 35,000	\$ 35,000
Equipment	1,476	1,476
Total capital assets	36,476	36,476
Less: Accumulated Depreciation	(12,250)	(11,375)
Capital assets, net of accumulated depreciation	\$ 24,226	\$ 25,101

Hinton Township

Mecosta County, Michigan

Management's Discussion and Analysis

Long-term debt

Hinton Township had no outstanding debt at March 31, 2007 and 2006.

General Economic Overview

Hinton Township plans to maintain its financial stability over the course of the next fiscal year. The two main sources of revenue for the Township are property taxes and state shared revenue, both of which are expected to remain at about the same level or slightly below what was experienced in the current fiscal year. Expenditures are planned to remain consistent with the 2007 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Hinton Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Hinton Township, 4488 95th Avenue, Lakeview, MI 48850 or (989) 620-4417.

Hinton Townsship
Statement of Net Assets
March 31, 2007

ASSETS

	Governmental activities
CURRENT ASSETS	
Cash and investments	\$ 179,367
Taxes receivable	3,440
Due from other governmental units	11,560
Total current assets	<u>194,367</u>
NONCURRENT ASSETS	
Capital assets, net	
Depreciable	<u>24,226</u>
Total assets	<u><u>\$ 218,593</u></u>

LIABILITIES

CURRENT LIABILITIES	\$
Accounts payable	2,850
Accrued payroll taxes	<u>1,357</u>
Total current liabilities	<u><u>\$ 4,207</u></u>

NET ASSETS

NET ASSETS	
Invested in capital assets, net of related debt	24,226
Unrestricted	<u>190,160</u>
Total net assets	<u><u>\$ 214,386</u></u>

The accompanying notes are an integral part of this statement.

Hinton Township
Statement of Activities
For the year ended March 31, 2007

		Program Revenue	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs			
Governmental activities:	Expenses	Charges for services	Governmental activities
General government	\$ 60,211	\$ 1,844	\$ (58,367)
Public safety	32,861	-	(32,861)
Culture and recreation	11,496	-	(11,496)
Total governmental activities	<u>104,568</u>	<u>1,844</u>	<u>(102,724)</u>
General revenues			
Property taxes, levied for general purposes			28,124
Grants and contributions not restricted to specific programs			70,410
Unrestricted investment earnings			7,568
Miscellaneous			5,854
Total general revenues and special items			<u>111,956</u>
Change in net assets			9,232
Net assets at April 1, 2006			<u>205,154</u>
Net assets at March 31, 2007			<u>\$ 214,386</u>

The accompanying notes are an integral part of this statement.

Hinton Township

Balance Sheet
Governmental Fund
March 31, 2007

ASSETS

	General Fund
ASSETS	
Cash and investments	\$ 179,367
Taxes receivable	3,440
Due from other governmental units	11,560
Total assets	<u>\$ 194,367</u>

LIABILITIES AND FUND BALANCE

LIABILITIES	
Accounts payable	2,850
Accrued payroll taxes	1,357
Total liabilities	<u>4,207</u>

FUND BALANCE	
Unreserved	<u>190,160</u>
Total liabilities and fund balance	<u>\$ 194,367</u>

The accompanying notes are an integral part of this statement.

Hinton Township
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Assets
March 31, 2007

Total fund balance—governmental funds	\$ 190,160
---------------------------------------	------------

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the
governmental funds.

Cost of capital assets	\$ 36,476	
Accumulated depreciation	<u>(12,250)</u>	24,226

Net assets of governmental activities in the Statement of Net Assets	<u>\$ 214,386</u>
--	-------------------

The accompanying notes are an integral part of this statement.

Hinton Township
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the year ended March 31, 2007

	General Fund
REVENUES	
Property taxes	\$ 28,124
Intergovernmental revenues - state	70,410
Licenses and permits	99
Charges for services	1,745
Investment earnings	7,568
Other	5,854
Total revenues	<u>113,800</u>
EXPENDITURES	
Current:	
General government	59,336
Public safety	32,861
Culture and recreation	11,496
Total expenditures	<u>103,693</u>
Net change in fund balance	10,107
Fund balance at April 1, 2006	<u>180,053</u>
Fund balance at March 31, 2007	<u><u>\$ 190,160</u></u>

The accompanying notes are an integral part of this statement.

Hinton Township

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance of the Governmental Fund to the Statement of Activities

For the year ended March 31, 2007

Net changes in fund balances - total governmental funds	\$ 10,107
---	-----------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(875)
----------------------	-------

Change in net assets of governmental activities	<u>\$ 9,232</u>
---	-----------------

The accompanying notes are an integral part of this statement.

Hinton Township
Statement of Fiduciary Assets and Liabilities
For the year ended March 31, 2007

	Agency Fund
ASSETS	
Cash and investments	\$ <u>2,450</u>
LIABILITIES	
Due to other governmental units	\$ <u>2,450</u>

The accompanying notes are an integral part of this statement.

Hinton Township
Notes to the Financial Statements
March 31, 2007

I. Summary of significant accounting policies

The accounting policies of Hinton Township have been established to conform with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by Hinton Township.

A. Reporting entity

Hinton Township is a general law township located in Mecosta County, which operates under the direction of a five member elected township board. The Township has determined that there are no component units which should be included in its reporting entity under the criteria established by accounting principles generally accepted in the United States of America.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are

Hinton Township
Notes to the Financial Statements
March 31, 2007

recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property and other taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Hinton Township reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the township reports the following fund type:

The tax collection agency fund accounts for all of the tax collection payments and disbursements to Hinton Township and other governmental units.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Hinton Township
Notes to the Financial Statements
March 31, 2007

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as needed.

D. Assets, liabilities and net assets or equity

1. Deposits and investments

The township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds. All investments are reported at fair value.

The Township's pension trust investments are held in trust by the investment fiduciary, AXA Equitable. The State of Michigan authorizes the Township's plan to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Pension plan securities traded on national exchanges are valued at the last reported sales price.

Hinton Township
Notes to the Financial Statements
March 31, 2007

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”.

All trade and property tax receivables are shown net of allowance for uncollectibles. The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Property taxes are levied on December 1 on the taxable valuation of real and personal property (as defined by state statutes) located in the Township as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 state taxable value for property within the Township totaled approximately \$28,188,400. The property tax levied consisted of 1.000 mills for the Township’s operating purposes and is recorded in the Township’s General Fund.

3. *Capital assets*

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Equipment	5

Hinton Township
Notes to the Financial Statements
March 31, 2007

4. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

5. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end.

The township supervisor prepares the budget and submits it to the Township Board prior to March 31. The operating budget includes proposed expenditures and the means of financing them. A public hearing is held at the Township Hall to obtain taxpayer comments. Prior to the end of the fiscal year, the Township Board enacts the budget through a resolution. The budget is amended throughout the year, when required to provide for additional revenues and expenditures.

The appropriated budget is prepared by fund and function. Transfers of appropriations between functions require the approval of the Township Board. The legal level of budgetary control is the function level. The Township Board made a few insignificant budgetary appropriations throughout the year.

B. Excess of expenditures over appropriations

For the year ended March 31, 2007, public safety expenditures for fire services exceeded appropriations by \$10,315. The Township incurred a joint expenditure for its share of the fire board's new truck. The Township paid its portion of the expenditure, but did not amend its budget at that time. The overexpenditure was funded by lower expenditures in other line items.

Hinton Township
Notes to the Financial Statements
March 31, 2007

III. Detailed notes on all funds

A. Deposits and investments

As of March 31, 2007, the township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Months)</u>	<u>Rating</u>	<u>Percent</u>
Negotiable certificates of deposit	\$72,017	21.9	Not rated	100%

Interest Rate Risk

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The Township's investment policy does not further limit its investment options.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Township does not have a concentration of credit risk policy.

Custodial Credit Risk - Deposits

Custodial credit risk in the case of deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require, and the Township does not have, a deposit policy for custodial credit risk. As of March 31, 2007, \$125,024 of the Township's governmental funds' deposits were covered by federal depository insurance, and \$55,191 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Foreign currency risk

The Township is not authorized to invest in securities which have this type of risk.

B. Receivables

The Township's receivables in the governmental funds consisted of a balance due from Mecosta County for delinquent property taxes.

Hinton Township
Notes to the Financial Statements
March 31, 2007

The Township's due from other governmental units consisted of a State of Michigan shared revenue payment of \$11,560 which is expected to be collected soon enough after March 31, 2007 to be used to pay liabilities of the current period.

C. Capital assets

Capital asset activity for the year ended March 31, 2007 was as follows:

	Balance April 1, 2006	Additions	Deletions	Balance March 31, 2007
Capital assets, being depreciated:				
Buildings and improvements	\$ 35,000	\$ -	\$ -	\$ 35,000
Equipment	1,476	-	-	1,476
Total capital assets, being depreciated:	36,476	-	-	36,476
Less accumulated depreciation	(11,375)	(875)	-	(12,250)
Total governmental capital, net	\$ 25,101	\$ (875)	\$ -	\$ 24,226

Depreciation expense of \$875 was charged to general government functions.

D. Other information

1. Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

2. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

Hinton Township
Notes to the Financial Statements
March 31, 2007

E. Pension plan

The Township provides pension benefits for all of its elected officials and one full time employee through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township is required to contribute an amount equal to 12 percent of the qualified employees' annual compensation each plan year. For the year ended March 31, 2007, pension expense was approximately \$2,563

F. Economic dependency

The Township relies on the State of Michigan Shared Revenue program to fund a portion of its current governmental operations. For the year ended March 31, 2007, the state shared revenue was approximately 62% of total governmental revenue.

Required supplementary information

Hinton Township
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the year ended March 31, 2007

	Budgeted Amounts			Variance with final budget- positive (negative)
REVENUES	Original	Final	Actual	
Property taxes	\$ 25,991	\$ 25,991	\$ 28,124	\$ 2,133
Intergovernmental revenues - state	59,099	59,099	70,410	11,311
Licenses and permits	-	-	99	99
Charges for services	1,275	1,275	1,745	470
Investment earnings	4,486	4,486	7,568	3,082
Other	4,171	4,171	5,854	1,683
Total revenues	95,022	95,022	113,800	18,778
EXPENDITURES				
Current				
General government				
Township board	5,320	5,384	5,152	232
Supervisor	5,200	5,200	5,200	-
Elections	1,950	1,950	1,928	22
Clerk	6,688	8,922	6,222	2,700
Treasurer	9,238	9,238	8,070	1,168
Assessor	10,663	10,813	10,800	13
Townhall	7,400	7,400	5,396	2,004
Board of review	1,075	1,075	1,010	65
Cemetery	8,900	9,200	7,738	1,462
Other general government	9,600	9,600	7,820	1,780
Public safety				
Fire	20,412	22,546	32,861	(10,315)
Public works				
Roads	30,000	30,000	-	30,000
Drain	2,500	2,500	-	2,500
Culture and recreation				
Library	13,000	13,000	11,496	1,504
Total expenditures	131,946	136,828	103,693	33,135
Net change in fund balance	<u>(36,924)</u>	<u>(41,806)</u>	10,107	<u>51,913</u>
Fund balance at April 1, 2006			<u>180,053</u>	
Fund balance at March 31, 2007			<u>\$ 190,160</u>	



Lake Michigan CPA Services, PLC

239 N Jebavy Drive
Ludington, MI 49431
LakeMichiganCPA.com
(231) 690-5217

Sarah L. Kanitz
Certified Public Accountant
skanitz@lakemichigancpa.com

August 15, 2007

Township Board
Hinton Township
Lakeview, Michigan

In planning and performing the audit of the financial statements of Hinton Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, I considered Hinton Township's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hinton Township's internal control. Accordingly, I do not express an opinion on the effectiveness of the Hinton Township's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the following deficiencies to be significant deficiencies in internal control.

Lake Michigan CPA Services, PLC

Recommendation 1: The internal control procedures should be segregated further.

A five member township board has limited resources and personnel. Therefore, there are inherent difficulties in the establishment and upkeep of an accounting system with strong internal accounting controls, including significant segregation of duties. The Township should continue using its current accounting systems, but work to find opportunities to segregate duties further and strengthen internal controls. The Township should consider the expansion of documented approval of transactions by the Township Board and supervisor.

This communication is intended solely for the information and use of management of Hinton Township and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.